

CITY OF ACKLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2011

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City of Ackley, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Daggs	Mayor	Dec 2011
Glenn Boheman	Mayor Pro tem	Dec 2011
Susan Ibeling	Council Member	Dec 2013
Bart Schneck	Council Member	Dec 2011
Joyce Geiken	Council Member	Dec 2011
Dan Scallon	Council Member	Dec 2013
Michael Nuss	City Administrator	Indefinite
Cyndee Roskens	City Clerk	Dec 2011
Teri Elmore	Deputy City Clerk	Indefinite
Craig Smith	Attorney	Dec 2011

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ackley's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.


As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than US generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Ackley as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated March 28, 2012 on my consideration of the City of Ackley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 19 through 20 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the years ended June 30, 2010, June 30, 2008 and June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

March 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Ackley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 0.9% or approximately \$18,000 from fiscal 2010 to fiscal 2011. Property tax and charges for service revenues increased approximately \$110,000 and \$52,000 respectively.
- Disbursements of the City's governmental activities increased 11.2%, or approximately \$208,700, in fiscal 2011 from fiscal 2010. Public safety, public works, health and social services and capital projects disbursements increased approximately \$280,000, \$7,000, \$3,000 and \$136,000, respectively.
- The City's total cash basis net assets decreased 9.2%, or approximately \$154,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$49,000 and the assets of the business type activities increased by approximately \$105,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water and sewer funds considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,480,037 to \$1,401,285. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30	
	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 429,276	\$ 377,544
Operating grants, contributions and restricted interest	200,474	224,319
Capital grants, contributions and restricted interest	365,301	29,239
General receipts:		
Property tax	675,461	565,336
Local option sales tax	168,597	164,545
Unrestricted investment earnings	75,761	77,543
Bond proceeds	-	540,000
Other general receipts	113,110	67,644
Total receipts	<u>\$ 2,027,980</u>	<u>\$ 2,046,170</u>
Disbursements:		
Public safety	\$ 643,121	\$ 363,202
Public works	357,926	351,043
Health and social services	5,292	2,165
Culture and recreation	201,070	288,988
Community and economic development	16,919	125,355
General government	106,963	122,300
Debt service	180,005	185,985
Capital projects	566,197	429,774
Total disbursements and transfers	<u>\$ 2,077,493</u>	<u>\$ 1,868,812</u>
Increase (decrease) in cash basis net assets	<u>\$ -49,513</u>	<u>\$ 177,358</u>
Cash basis net assets beginning of year	\$ 1,480,037	\$ 1,302,679
Prior period adjustment	-29,239	-
Adjusted cash basis net assets beginning of year	<u>\$ 1,450,798</u>	<u>\$ 1,302,679</u>
Cash basis net assets end of year	<u>\$ 1,401,285</u>	<u>\$ 1,480,037</u>

The City's total receipts for governmental activities, decreased by 0.9%, or \$18,190. The total cost of all programs and services increased by approximately \$208,700, or 11.2 %, with no new programs added this year. The decrease in receipts was primarily due to no bond proceeds issued for 2011.

The cost of all governmental activities this year was \$2,077,493 compared to \$1,868,812 last year. However, as shown in the Statement of Activities and Net Assets on Page 10, the amount taxpayers ultimately financed for these activities was only \$1,082,442 because some of the cost was paid by those directly benefited from these programs (\$429,276) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$200,474). Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2011 from approximately \$2,046,000 to approximately \$202,800. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,033,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 322,170	\$ 285,845
Sewer utility	269,794	237,624
Storm sewer utility	95,306	38,534
Other	1,345	4,065
General receipts:		
Unrestricted interest on investments	-	-
Miscellaneous	23,927	9,908
Total receipts	<u>\$ 712,542</u>	<u>\$ 575,976</u>
Disbursements and transfers:		
Water	\$ 294,221	\$ 245,304
Sewer Utility	373,432	267,729
Storm sewer utility	148,454	35,804
Other	1,251	3,550
Total disbursements	<u>\$ 817,358</u>	<u>\$ 552,387</u>
Increase (decrease) in cash balance	<u>\$ -104,816</u>	<u>\$ 23,589</u>
Cash basis net assets beginning of year	\$ 191,718	\$ 168,129
Prior period adjustment	29,239	-
Adjusted cash basis net assets, beginning of year	<u>\$ 220,957</u>	<u>\$ 168,129</u>
Cash basis net assets end of year	<u>\$ 116,141</u>	<u>\$ 191,718</u>

Total business type activities receipts for the fiscal year were \$712,542 compared to \$575,976 last year. This increase was due primarily to increased receipts in charges for service. The cash balance decreased by approximately \$104,800 from the prior year. Total disbursements for the fiscal year increased by 48%, or approximately \$264,971 due to the increase in Sewer Utility expenditures for the CBGB match requirements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,401,288, a decrease of more than \$49,500 below last year's total of \$1,480,037. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$71,370 from the prior year to -\$234,154, due to the increase in public safety expenditures.
- The Road Use Tax Fund cash balance decreased by \$26,799 to -\$80,686 during the fiscal year. This decrease was attributable to expenditures exceeding revenues.

- The Capital Reserve Endowment Fund cash balance remained unchanged during the year ended June 30, 2011.
- The Debt Service Fund cash balance increased by \$22,690 to \$29,742 during the fiscal year.
- The Capital Projects Funds cash balance decreased by \$69,220 to \$481,257 during the year ended June 30, 2011. The decrease was due to the CBDG unreimbursed expenditures of \$72,306 at June 30, 2011.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$43,684 to -\$78,922 due to increased receipts of charges for service.
- The Water Improvement Reserve cash balance remained the same at \$109,373 during the fiscal year. No activity took place during the year.
- The Sewer Utility Fund cash balance decreased by \$95,446 to \$72,959 due to service costs.
- The Storm Sewer Utility Fund cash balance decreased by \$53,148 to -\$6,442 due to service costs.

BUDGETARY HIGHLIGHTS

The City's receipts were \$506,577 more than budgeted. This was primarily due to the City receiving more from intergovernmental resources than anticipated.

Total disbursements were \$1,321,194 less than the budget. This was primarily due to the City delaying sanitary sewer improvements.

The City exceeded the amounts budgeted in the public safety, health and social services, culture and recreation, debt service, and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$995,000 in bonds and other long-term debt, compared to \$1,160,000 in 2010, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2011	2010
General obligation notes	\$ 850	\$ 1,000
Revenue notes	145	160
Total	\$ 995	\$ 1,160

Debt decreased by 14.2% due to payments made.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$995,000 is significantly below its constitutional debt limit of approximately \$2.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ackley elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cyndee Roskens, City Clerk, City of Ackley.

Basic Financial Statements

City of Ackley, Iowa

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 643,121	\$ 196,164	\$ -	\$ -
Public works	357,926	170,599	171,392	-
Health and social services	5,292	-	-	-
Culture and recreation	201,070	62,513	29,082	-
Community and economic development	16,919	-	-	-
General government	106,963	-	-	-
Debt service	180,005	-	-	-
Capital projects	566,197	-	-	365,301
Total governmental activities	\$ 2,077,493	\$ 429,276	\$ 200,474	\$ 365,301
Business type activities:				
Water	\$ 294,221	\$ 322,170	\$ -	\$ -
Sewer utility	373,432	269,794	-	-
Storm sewer utility	148,454	95,306	-	-
Other	1,251	1,345	-	-
Total business type activities	\$ 817,358	\$ 688,615	\$ -	\$ -
Total	\$ 2,894,851	\$ 1,117,891	\$ 200,474	\$ 365,301
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Sale of assets				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Prior period adjustment				
Adjusted cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities		Business Type Activities		Total
\$	-446,957	\$	-	\$ -446,957
	-15,935		-	-15,935
	-5,292		-	-5,292
	-109,475		-	-109,475
	-16,919		-	-16,919
	-106,963		-	-106,963
	-180,005		-	-180,005
	-200,896		-	-200,896
\$	-1,082,442	\$	-	\$ -1,082,442
\$	-	\$	27,949	\$ 27,949
	-		-103,638	-103,638
	-		-53,148	-53,148
	-		94	94
\$	-	\$	-128,743	\$ -128,743
\$	-1,082,442	\$	-128,743	\$ -1,211,185
\$	402,082	\$	-	\$ 402,082
	202,695		-	202,695
	70,684		-	70,684
	168,597		-	168,597
	75,761		-	75,761
	61,546		23,927	85,473
	51,564		-	51,564
\$	1,032,929	\$	23,927	\$ 1,056,856
\$	-49,513	\$	-104,816	\$ -154,329
\$	1,480,037	\$	191,718	\$ 1,671,755
	-29,239		29,239	-
\$	1,450,798	\$	220,957	\$ 1,671,755
\$	1,401,285	\$	116,141	\$ 1,517,426
\$	56,000	\$	-	\$ 56,000
	29,742		-	29,742
	1,796,044		-	1,796,044
	-480,501		116,141	-364,360
\$	1,401,285	\$	116,141	\$ 1,517,426

City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2011

		Special Revenue		
	General	Road Use Tax	Capital Reserve Endowment	Fire Expendable Trust
Receipts:				
Property tax	\$ 272,859	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Use of money and property	92,684	-	-	6
Other city tax	53,461	-	-	-
Licenses and permits	3,352	-	-	-
Intergovernmental	70,292	168,392	-	19,297
Charges for service	340,888	-	-	-
Special assessments	-	-	-	-
Miscellaneous	95,439	1,700	-	5,525
Total receipts	\$ 928,975	\$ 170,092	\$ -	\$ 24,828
Disbursements:				
Operating:				
Public safety	\$ 642,343	\$ -	\$ -	\$ 778
Public works	161,035	196,891	-	-
Health and social services	5,292	-	-	-
Culture and recreation	199,194	-	-	-
Community and economic development	6,557	-	-	-
General government	106,963	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	\$ 1,121,384	\$ 196,891	\$ -	\$ 778
Excess (deficiency) of receipts over (under) disbursements	\$ -192,409	\$ -26,799	\$ -	\$ 24,050
Other financing sources (uses):				
Operating transfers in (out)	\$ 121,039	\$ -	\$ -	\$ -
Net change in cash balances	\$ -71,370	\$ -26,799	\$ -	\$ 24,050
Cash balances beginning of year, as restated	\$ -162,784	\$ -53,887	\$ 915,325	\$ 132,446
Prior period adjustment	-	-	-	-
Adjusted cash balances, beginning of year	\$ -162,784	\$ -53,887	\$ 915,325	\$ 132,446
Cash balances end of year	\$ -234,154	\$ -80,686	\$ 915,325	\$ 156,496
Cash Basis Fund Balances				
Nonspendable – Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Special Revenue	-	-	915,325	156,496
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-234,154	-80,686	-	-
Total cash basis fund balances	\$ -234,154	\$ -80,686	\$ 915,325	\$ 156,496

See notes to financial statements

Debt Service	Capital Projects				Non-major	Total
	Capital Project		CBDG			
\$ 196,189	\$ -	\$ -	\$ -	\$ 116,873	\$ 585,921	
-	-	-	-	70,623	70,623	
-	-	-	-	104	92,794	
6,214	126,448	-	-	3,987	190,110	
-	-	-	-	-	3,352	
292	-	365,301	-	2,090	625,664	
-	-	-	-	-	340,888	
-	-	-	-	-	-	
-	5,228	-	-	10,736	118,628	
\$ 202,695	\$ 131,676	\$ 365,301	\$ 204,413	\$ 2,027,980		
\$ -	\$ -	\$ -	\$ -	\$ -	643,121	
-	-	-	-	-	357,926	
-	-	-	-	-	5,292	
-	-	-	-	1,876	201,070	
-	-	-	-	10,362	16,919	
-	-	-	-	-	106,963	
180,005	-	-	-	-	180,005	
-	128,590	437,607	-	-	566,197	
\$ 180,005	\$ 128,590	\$ 437,607	\$ 12,238	\$ 2,077,493		
\$ 22,690	\$ 3,086	\$ -72,306	\$ 192,175	\$ -49,513		
\$ -	\$ -	\$ -	\$ -121,039	\$ -		
\$ 22,690	\$ 3,086	\$ -72,306	\$ 71,136	\$ -49,513		
\$ 7,052	\$ 550,477	\$ 29,239	\$ 62,169	\$ 1,480,037		
-	-	-29,239	-	-29,239		
\$ 7,052	\$ 550,477	\$ -	\$ 62,169	\$ 1,450,798		
\$ 29,742	\$ 553,563	\$ -72,306	\$ 133,305	\$ 1,401,285		
\$ -	\$ -	\$ -	\$ 56,000	\$ 56,000		
-	-	-	115,825	1,187,646		
29,742	-	-	-	29,742		
-	553,563	-	54,835	608,398		
-	-	-72,306	-93,355	-480,501		
\$ 29,742	\$ 553,563	\$ -72,306	\$ 133,305	\$ 1,401,285		

City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2011

	<u>Enterprise Funds</u>	
	<u>Water</u>	<u>Water Improvement Reserve</u>
Operating receipts:		
Charges for service	\$ 322,170	\$ -
Miscellaneous	15,735	-
Total operating receipts	<u>\$ 337,905</u>	<u>\$ -</u>
Operating disbursements:		
Business type activities	<u>\$ 294,221</u>	<u>\$ -</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 43,684	\$ -
Non-operating receipts (disbursements):		
Debt service	-	-
Net change in cash balances	<u>\$ 43,684</u>	<u>\$ -</u>
Cash balances beginning of year	\$ -122,606	\$ 109,373
Prior period adjustment	-	-
Adjusted cash balances, beginning of year	<u>\$ -122,606</u>	<u>\$ 109,373</u>
Cash balances end of year	<u>\$ -78,922</u>	<u>\$ 109,373</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ -78,922</u>	<u>\$ 109,373</u>

See notes to financial statements.

Enterprise Funds				
Sewer Utility	Storm Sewer Utility	Non-major	Total	
\$ 269,794	\$ 95,306	\$ 1,345	\$ 688,615	
8,192	-	-	23,927	
\$ 277,986	\$ 95,306	\$ 1,345	\$ 712,542	
\$ 351,035	\$ 148,454	\$ 1,251	\$ 794,961	
\$ -73,049	\$ -53,148	\$ 94	\$ -82,419	
-22,397	-	-	-22,397	
\$ -95,446	\$ -53,148	\$ 94	\$ -104,816	
\$ 139,166	\$ 46,706	\$ 19,079	\$ 191,718	
29,239	-	-	29,239	
\$ 168,405	\$ 46,706	\$ 19,079	\$ 220,957	
\$ 72,959	\$ -6,442	\$ 19,173	\$ 116,141	
\$ 72,959	\$ -6,442	\$ 19,173	\$ 116,141	

City of Ackley, Iowa

Notes to Financial Statements

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ackley is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ackley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Ackley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Emergency Management Commission, and Hardin County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets result are subject to externally imposed stipulations which require them to be maintained permanently by the City, including City's Permanent Fund.

Expendable restricted assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for the road construction and maintenance.

The Capital Reserve Fund is utilized to account for the swimming pool investment and principal and interest payments.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund accounts for monies received for capital projects and the related disbursements.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Water Improvement Reserve Fund accounts for funds reserved for future water repairs and improvements.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Sewer Utility Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Ackley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, health and social services, culture and recreation, debt service, and capital projects functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 2 – CASH AND POOLED INVESTMENTS (continued)

At June 30, 2011, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
US Treasury bonds	\$937,048	\$1,186,750	May 2016

Interest Rate Risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, general obligation notes, and revenue notes indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$155,000	\$26,105	\$15,000	\$6,805	\$170,000	\$32,910
2013	155,000	22,618	15,000	6,182	170,000	28,800
2014	130,000	18,742	15,000	5,538	145,000	24,280
2015	135,000	14,843	20,000	4,870	155,000	19,713
2016	135,000	10,320	20,000	3,750	155,000	14,070
2017	140,000	5,400	20,000	3,000	160,000	8,400
2018	-	-	20,000	2,020	20,000	2,020
2019	-	-	20,000	1,020	20,000	1,020
Total	\$850,000	\$98,028	\$145,000	\$33,185	\$995,000	\$131,213

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

- a) At the option of the City, notes due on the Essential Corporate Purpose issue of December 1, 1999, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2009, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- b) At the option of the City, notes due on the Essential Corporate Purpose issue of July 17, 2009, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2014, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the respective activities and bond/note holders hold a lien on the future earnings of the funds.
- b) At the option of the City, notes due on the Sewer Revenue Capital Loan Note issue of November 1, 2004 are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2013, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary except for police employees, in which case the percentages are 6.64% and 9.95%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$34,631, equal to the required contribution for the year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$365.37 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$39,460.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick Leave	\$79,108

This liability has been computed based on rates of pay at June 30, 2011.

NOTE 7 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits Levy	\$ 121,039

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$26,706 during the year ended June 30, 2011.

NOTE 9 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued \$435,000 of revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2011 were \$145,000.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – DEFICIT BALANCES

At June 30, 2011, the General Fund had a \$234,154 deficit balance. Special Revenue Funds – Road Use Tax, Urban Renewal and Save the Depot had deficit balances of \$80,686, \$11,153, and \$81,973 respectively at June 30, 2011. Capital Projects Funds – CDBG and Daycare project had \$72,306 and \$229 deficit balances at June 30, 2011. The Enterprise Fund – Water and Storm Sewer Utility had deficit balances of \$78,922 and \$6,442 at June 30, 2011. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated through tax collections and inter-fund transfers.

NOTE 12 – COMMITMENTS

The City of Ackley has entered into a 28E Agreement with Ackley, Geneva, Wellsburg, Steamboat Rock (AGWSR) Community Schools to provide for services and management of a child care facility serving residents of the Ackley area called the Cougar's Den Daycare. The City will provide the child care facility. AGWSR Community School will pay all of the financial obligations.

NOTE 13 – SUBSEQUENT EVENTS

December 2009, the City was awarded a Community Development Block Grant (CDBG) in an amount not to exceed \$1,276,175 for sanitary sewer collection improvements. The City is required to match \$200,000 for the project. In July and August 2011, the City had entered into contracts totaling \$517,463 for the project. The City has received \$365,301 from the grant as of June 30, 2011.

The City has evaluated subsequent events through March 28, 2012, which is the date that the financial statements were available to be issued.

NOTE 14 – ACCOUNT CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Emergency Levy
Balances June 30, 2010, as previously reported	\$ 162,784	\$ -
Change in fund type classification per implementation of GASB Statement No. 54	-	-
Balances July 1, 2010, as restated	\$ 162,784	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

City of Ackley, Iowa

**Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 585,921	\$ -
Tax increment financing collections	70,623	-
Other city tax	190,110	-
Licenses and permits	3,352	-
Use of money and property	92,794	-
Intergovernmental	625,664	-
Charges for service	340,888	688,615
Special assessments	-	-
Miscellaneous	118,628	23,927
Total receipts	\$ 2,027,980	\$ 712,542
Disbursements:		
Public safety	\$ 643,121	\$ -
Public works	357,926	-
Health and social services	5,292	-
Culture and recreation	201,070	-
Community and economic development	16,919	-
General government	106,963	-
Debt service	180,005	22,397
Capital projects	566,197	-
Business type activities	-	794,961
Total disbursements	\$ 2,077,493	\$ 817,358
Excess (deficiency) of receipts over (under) disbursements	\$ -49,513	\$ -104,816
Net other financing sources (uses)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -49,513	\$ -104,816
Balances beginning of year, as restated	\$ 1,480,037	\$ 191,718
Prior period adjustment	-29,239	29,239
Adjusted cash balances beginning of year	\$ 1,450,798	\$ 220,957
Balances end of year	\$ 1,401,285	\$ 116,141

See accompanying independent auditor's report.

Net	Budgeted Amounts	Final to Net Variance
\$ 585,921	\$ 564,982	\$ 20,939
70,623	72,041	-1,418
190,110	200,159	-10,049
3,352	3,775	-,423
92,794	103,250	-10,456
625,664	183,332	442,332
1,029,503	1,027,806	1,697
-	4,000	-4,000
142,555	74,600	67,955
<u>\$ 2,740,522</u>	<u>\$ 2,233,945</u>	<u>\$ 506,577</u>
\$ 643,121	\$ 631,957	\$ -11,164
357,926	368,794	10,868
5,292	3,000	-2,292
201,070	175,108	-25,962
16,919	19,075	2,156
106,963	116,505	9,542
202,402	179,506	-22,896
566,197	409,800	-156,397
794,961	2,312,300	1,517,339
<u>\$ 2,894,851</u>	<u>\$ 4,216,045</u>	<u>\$ 1,321,194</u>
\$ -154,329	\$ -1,982,100	\$ 1,827,771
-	1,397,675	-1,397,675
<u>\$ -154,329</u>	<u>\$ -584,425</u>	<u>\$ 430,096</u>
\$ 1,671,755	\$ 2,913,954	\$ -1,242,199
-	-	-
<u>\$ 1,671,755</u>	<u>\$ 2,913,954</u>	<u>\$ -1,242,199</u>
<u>\$ 1,517,426</u>	<u>\$ 2,329,529</u>	<u>\$ -812,103</u>

City of Ackley, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the Public Safety, Health and Social Services, Culture and Recreation, Debt Service and Capital Projects functions.

Other Supplementary Information

City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Non-major Governmental Funds**

Year ended June 30, 2011

	Special Revenue					
	Employee Benefits	Police Car Expendable Trust	Ambulance Expendable Trust	Health Insurance Trust	Urban Renewal	Library Board
Receipts:						
Property tax	\$ 116,873	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-	-	-
Use of money and property	-	-	38	-	-	68
Other city taxes	3,987	-	-	-	-	-
Intergovernmental	179	-	-	-	-	1,850
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	3,250	-	-	7,486
Total receipts	\$ 121,039	\$ -	\$ 3,288	\$ -	\$ -	\$ 9,404
Disbursements:						
Operating:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,876
Community and economic development	-	-	-	-	7,448	-
Total disbursements	\$ -	\$ -	\$ -	\$ -	\$ 7,448	\$ 1,876
Excess (deficiency) of receipts over (under) disbursements	\$ 121,039	\$ -	\$ 3,288	\$ -	\$ -7,448	\$ 7,528
Other financing uses:						
Operating transfers out	\$ -121,039	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in cash balances	\$ -	\$ -	\$ 3,288	\$ -	\$ -7,448	\$ 7,528
Cash balances beginning of year, as restated	-	7,019	6,637	3,800	-3,705	24,275
Cash balances end of year	\$ -	\$ 7,019	\$ 9,925	\$ 3,800	\$ -11,153	\$ 31,803
Cash Basis Fund Balances						
Restricted for:						
Special revenue funds	\$ -	\$ 7,019	\$ 9,925	\$ 3,800	\$ -	\$ 31,803
Capital project funds	-	-	-	-	-	-
Nonspendable – cemetery perpetual care	-	-	-	-	-	-
Unassigned	-	-	-	-	-11,153	-
Total cash basis fund balances	\$ -	\$ 7,019	\$ 9,925	\$ 3,800	\$ -11,153	\$ 31,803

See accompanying independent auditor's report.

Special Revenue

Swimming Pool Trust	Tourism Foundation Trust	Save The Depot	Tax Increment Financing	Capital Projects		Permanent Cemetery Perpetual Care	Total
				Daycare Project	Street Project		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,873
-	-	-	70,623	-	-	-	70,623
10	-12	-	-	-	-	-	104
-	-	-	-	-	-	-	3,987
-	-	-	61	-	-	-	2,090
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,736
\$ 10	\$ -12	\$ -	\$ 70,684	\$ -	\$ -	\$ -	\$ 204,413
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,876
-	-	-	2,914	-	-	-	10,362
\$ -	\$ -	\$ -	\$ 2,914	\$ -	\$ -	\$ -	\$ 12,238
\$ 10	\$ -12	\$ -	\$ 67,770	\$ -	\$ -	\$ -	\$ 192,175
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -121,039
\$ 10	\$ -12	\$ -	\$ 67,770	\$ -	\$ -	\$ -	\$ 71,136
4,367	37,965	-81,973	-46,822	-229	54,835	56,000	62,169
\$ 4,377	\$ 37,953	\$ -81,973	\$ 20,948	\$ -229	\$ 54,835	\$ 56,000	\$ 133,305
\$ 4,377	\$ 37,953	\$ -	\$ 20,948	\$ -	\$ -	\$ -	\$ 115,825
-	-	-	-	-	54,835	-	54,835
-	-	-	-	-	-	56,000	56,000
-	-	-81,973	-	-229	-	-	-93,355
\$ 4,377	\$ 37,953	\$ -81,973	\$ 20,948	\$ -229	\$ 54,835	\$ 56,000	\$ 133,305

City of Ackley, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Water Reserve Sinking	Water Deposits	Total
Operating receipts:			
Charges for service	\$ -	\$ 1,345	\$ 1,345
Operating disbursements:			
Business type activities	\$ -	\$ 1,251	\$ 1,251
Net change in cash balances	\$ -	\$ 94	\$ 94
Cash balances beginning of year	6,511	12,568	19,079
Cash balances end of year	\$ 6,511	\$ 12,662	\$ 19,173
Cash Basis Fund Balances			
Restricted:			
Other	\$ 6,511	\$ 12,662	\$ 19,173

See notes to financial statements.

City of Ackley, Iowa
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Essential corporate purpose	June 15, 2009	2.00-2.50%	\$590,000
Essential corporate purpose	July 15, 2009	3.00-3.90%	540,000
Revenue notes:			
Sewer revenue capital loan notes	November 1, 2004	2.45-5.10%	\$245,000
Total indebtedness			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$460,000	\$-	\$150,000	\$310,000	\$10,362	\$-
540,000	-	-	540,000	18,743	-
\$1,000,000	\$-	\$150,000	\$850,000	\$29,105	\$-
\$160,000	\$-	\$15,000	\$145,000	\$7,397	\$-
\$1,160,000	\$-	\$165,000	\$995,000	\$36,502	\$-

City of Ackley, Iowa

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Capital Loan Notes					Total
	Essential Corporate Purpose		Essential Corporate Purpose			
	Refinanced June 15, 2009		Issued July 15, 2009			
	Interest Rate	Amount	Interest Rate	Amount		
2012	2.25%	\$155,000	3.00%	\$-	\$155,000	
2013	2.50%	155,000	3.00%	-	155,000	
2014		-	3.00%	130,000	130,000	
2015		-	3.35%	135,000	135,000	
2016		-	3.60%	135,000	135,000	
2017		-	3.90%	140,000	140,000	
		<u>\$310,000</u>		<u>\$540,000</u>	<u>\$850,000</u>	

Year Ending June 30,	Revenue Notes	
	Sewer Revenue	
	Capital Loan Notes	
	Issued November 1, 2004	
	Interest Rate	Amount
2012	4.15%	\$15,000
2013	4.30%	15,000
2014	4.45%	15,000
2015	4.60%	20,000
2016	4.75%	20,000
2017	4.90%	20,000
2018	5.00%	20,000
2019	5.10%	20,000
		<u>\$145,000</u>

City of Ackley, Iowa

**Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds**

For the Last Six Years

	2011	2010	2009
	(Audited)	(Audited)	(Unaudited)
Receipts:			
Property tax	\$ 585,921	\$ 565,336	\$ 516,033
Tax increment financing collection	70,623	-	-
Other city tax	190,110	164,545	153,149
Licenses and permits	3,352	3,392	3,127
Use of money and property	92,794	99,945	98,797
Intergovernmental	625,664	271,518	304,826
Charges for service	340,888	324,639	314,006
Special assessments	-	1,533	873
Miscellaneous	118,628	75,262	85,157
	<hr/>	<hr/>	<hr/>
Total	\$ 2,027,980	\$ 1,506,170	\$ 1,475,968
	<hr/>	<hr/>	<hr/>
Disbursements:			
Operating:			
Public safety	\$ 643,121	\$ 363,202	\$ 431,436
Public works	357,926	351,043	405,274
Health and social services	5,292	2,165	4,048
Culture and recreation	201,070	288,988	217,606
Community and economic development	16,919	125,355	124,754
General government	106,963	122,300	126,837
Debt service	180,005	185,985	755,518
Capital projects	566,197	429,774	90,716
	<hr/>	<hr/>	<hr/>
Total	\$ 2,077,493	\$ 1,868,812	\$ 2,156,189
	<hr/>	<hr/>	<hr/>

See accompanying independent auditor's report.

City of Ackley, Iowa

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Five Years

2008	2007	2006
(Audited)	(Unaudited)	(Audited)
\$ 475,901	\$ 465,543	\$ 502,911
-	-	-
164,197	163,508	137,099
3,492	3,959	3,180
122,177	107,843	108,230
200,883	195,484	200,113
278,361	277,098	320,301
8,123	1,343	6,146
48,600	45,781	61,798
<u>\$ 1,301,734</u>	<u>\$ 1,260,559</u>	<u>\$ 1,339,778</u>

\$ 348,777	\$ 346,111	\$ 419,248
367,492	332,011	346,417
3,650	2,627	2,675
185,364	169,069	188,541
129,806	16,312	3,000
112,194	94,927	107,031
161,600	199,128	206,600
173,877	25,177	219,486
<u>\$ 1,482,760</u>	<u>\$ 1,185,362</u>	<u>\$ 1,492,998</u>

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated March 28, 2012. My report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Ackley's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Ackley's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Ackley's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ackley's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11, I-C-11, I-D-11 and I-E-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-F-11 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Ackley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ackley's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Ackley's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ackley and other parties to whom the City of Ackley may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Ackley during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 28, 2012

City of Ackley, Iowa
Schedule of Findings
Year ended June 30, 2011

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-11 Treasurer's Report – The financial statement report, "Treasurer's report reconciliation to the clerk's balance" at June 30, 2011 does not agree with the actual cash balance per the bank reconciliations.

Recommendation – The treasurer's report should be corrected so the management of the City will have an accurate accounting of each individual fund.

Response – We will do this.

Conclusion – Response accepted.

- I-C-11 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help achieve uniformity in accounting and in application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Response – The City will work to get one created before the next audit.

Conclusion – Response accepted.

City of Ackley, Iowa
Schedule of Findings
Year ended June 30, 2011

Part I: Other Findings Related to Financial Statements (continued):

- I-D-11 **Financial Reporting** – During the audit, I identified material amounts of receipts, disbursements and transfers coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts, disbursements and transfers.

Response – The City clerk has contacted a mentor to help in proper coding of revenues and expenditures in the future.

Conclusion – Response accepted.

- I-E-11 **Separately Maintained Records** – Per Chapter 384.2 of the Code of Iowa states in part that “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose”. All financial transactions of the City should be recorded in one place. These activities should be subject to City council review and the City budget process. During the audit, it was noted that a portion of the Library Board Fund were not run through the City Clerk’s office. A savings account totaling \$4276.72 was not reflected on the City’s financial statements. The account was used to deposit donations and State library sources along with expenditures not paid from the City’s accounts. Adjustments were made to include this account in the audited financial statements.

Recommendation – This savings account should be handed over to the City Clerk so it can be included in the City’s monthly financial reports, and subject to City Council review and the City’s budget process.

Response – The account will be in the control of the City Clerk.

Conclusion – Response accepted.

- I-F-11 **Annual Financial Statements** – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the City’s financial reporting process. The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 **Certified Budget** – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in several different functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this.

Conclusion – Response accepted.

- II-B-11 **Questionable Disbursements** – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-11 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transcription Description	Amount
James Daggs, Mayor, Owner of Ackley Publishing	Publications	\$1,273
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	Repairs	\$25,433

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest.

- II-E-11 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-11 **Council Minutes** – No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council went into closed session on October 8, 2010. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meeting law.

Recommendation – The City should comply with the Chapter 21 of the Code of Iowa.

Response – We will comply with Code requirements for closed sessions.

Conclusion – Response accepted.

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

II-I-11 Financial Condition – The General Fund, Special Revenue Funds – Road Use Tax, Urban Renewal, and Save the Depot accounts, Capital Projects Fund – CDBG and Daycare Project, and Enterprise Fund – Water Account and Storm Sewer Utility had deficit balances of \$234,154, \$80,686, \$11,153, \$81,973, \$72,306, \$229, \$78,922, and \$6,442 respectively, at June 30, 2011.

Recommendation – The City should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response – The deficits will be monitored in the future.

Conclusion – Response accepted.